

**TESTIMONY BEFORE THE
INSURANCE AND REAL ESTATE COMMITTEE
LEGISLATIVE OFFICE BUILDING
JANUARY 31, 2013**

My name is Jennifer Herz and I am Assistant Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

I am before you today to urge you to reject **Senate Bill 596 An Act Concerning the Duties of the Connecticut Health Insurance Exchange.**

This bill would require the state exchange to negotiate premiums with insurance companies offering their product in the state exchange and would result in a market with less choice for consumers and also diminish the positive effects of competition.

Managed Competition

The state exchange has adopted a policy of managed competition meaning it plans to increase competition on price and quality by (i) aligning benefits and cost sharing across Qualified Health Plans and (ii) attracting new plans. The exchange reinforces its policy of managed competition with the following 3 points:

- i. Since the exchange is not a direct purchaser it cannot promise enrollees to any one carrier, unlike the state employee plan or other large employer groups;
- ii. Rates must be reviewed and approved by the Connecticut Department of Insurance;
- iii. Rates must be the same within and outside the Exchange, a point I will touch on further.

The state exchange voted to include in this policy a plan to move along the continuum toward more active purchasing however, this bill does not support the policy decision of the state exchange of managed competition. I urge you to support the state Exchange and its decisions.

Competitive Marketplace

CBIA shares the goal of increasing access and quality of healthcare. To that end we believe it is essential to move the existing insurance market (outside the state exchange) forward under the ACA in tandem with the state exchange. Competition delivers the best service and price. If the state exchange were required to directly negotiate rates with insurance companies it would create an imbalanced marketplace where consumers would be faced with less choice. Insurance companies should be encouraged to innovate and offer new plan designs that drive the market forward. We should not predetermine the outcome of plan design when we have the best experts right here in Connecticut to help us achieve that goal.

Finally, the ACA provides that rates offered within the exchange must be the same as rates offered outside of the exchange. Therefore this bill would not only affect plans offered through the exchange but also plans in the private marketplace.

Conclusion

Requiring the state exchange to directly negotiate with insurers would create an imbalanced marketplace with decrease consumer choice and less competition.

Again, I urge you to reject **Senate Bill 596**.

Thank you for the opportunity to offer CBIA's comments.